

What you should know about long term care

*Answers to the most commonly asked questions from
the Indiana Long Term Care Insurance Program*



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The Indiana Long Term Care Insurance Program is administered by the Office of Medicaid Policy and Planning under the Indiana Family and Social Services Administration in conjunction with the Indiana Department of Insurance.

A Message from the Governor...

Thank you for taking the responsible action of looking into how you may cover your future long term care costs.

The State of Indiana is encouraging its citizens to look into the option of long term care insurance through the Indiana Long Term Care Insurance Program. The Indiana Long Term Care Insurance Program (also known as the Partnership) is an innovative approach to financing the high cost of long term care. It represents a partnership among state government, the private insurance companies who offer these high quality, affordable policies, and you. In addition to long term care insurance coverage, only Partnership policies provide the unique financial security of Medicaid Asset Protection – State government's share of the partnership.

What is Medicaid Asset Protection? How can it benefit you? Why isn't Medicare enough to cover your future long term care costs? You'll find the answers to these and other commonly asked questions in this booklet.

I believe you'll find that a Partnership policy is a way for you to provide for your future care, your peace of mind and your financial security. After all, taking care of tomorrow is just good policy.

Sincerely,

Frank O'Bannon

Frank O'Bannon
Governor





*Who'd have believed it could
cost so much! We had plenty
of insurance against dying.
I wish we'd have thought
about living.*

Long Term Care: what it is, what it costs.

Q. What is long term care?

Long term care is what people need when they are unable to care for themselves because of prolonged illness, disability or frailty. It can be as simple as in-home help with daily activities like dressing or bathing, or as specialized as skilled medical attention received in a nursing home.

Q. What are the chances I'll need long term care?

Your likelihood of needing long term care increases as you get older, if you live alone, and if you're a woman. Your family and individual medical history also play a major role in determining whether or not you will need long term care.

General population statistics are very informative. For instance, one-half of all women and one-third of all men reaching age 65 will enter a nursing home at some point in their lives.^{c1} Even more will require some kind of in-home care or assistance. Of those entering a nursing home, the average length of stay is 2.6 years.^{c2} Older persons aren't the only ones needing long term care. Over 40% of Americans receiving long term care are between the ages of 18 and 64.^{c3}

No one really knows at what age he or she may experience a paralyzing accident, suffer a stroke, or be diagnosed with Parkinson's or Alzheimer's disease or some other debilitating condition.

Q. How much does long term care cost?

Long term care can be very expensive. The average cost of nursing home care in Indiana is over \$40,000 a year^{c4} (as of 2000, and some facilities charge much more). In-home care can be costly too, with the annual price of three nursing visits a week costing over \$14,000. Plus, the cost of long term care has been rising 4% to 5% each year.^{c5} For instance, at a 5% annual growth rate, the average daily cost of nursing home care would rise from \$111 in 2000 to \$295 in 2020.

Q. Won't Medicare pay my long term care costs?

Medicare was not designed to pay for long term care. Strict criteria must be met to qualify for Medicare coverage for this type of care. Even when you meet Medicare's criteria, the coverage it provides is for a limited length of time (approximately three months in a nursing home). Those who believe Medicare will pay their long term care expenses may end up unexpectedly spending their life savings on long term care costs.

Q. Can't I rely on Medicaid for long term care?

You can, but Medicaid is only available if you meet strict income and asset limits – currently defined as having total countable assets of \$1,500 or less if you are single, or \$2,250 if you are married. (An exception to Medicaid spend down applies for married couples when one spouse is in a nursing home.) That means most people will have to spend down their life savings to this amount before Medicaid will assist with long term care costs.

Q. Is there another way to pay these costs?

Yes. Long term care insurance is specifically designed to pay for long term care services. This type of insurance helps cover nursing home care, in-home care, community-based care such as adult day care, and assisted living facility care. It usually pays the actual charges for the care up to a daily maximum dollar amount when a person needs the type of care covered by the policy. Coverage can last for a period of years or until a maximum dollar amount is reached. (You choose the maximum daily and maximum total amounts when you buy a policy.)

Q. Is long term care insurance right for everyone?

Long term care insurance is not the right option:

- If you have little or no assets. At a minimum, your assets should be equal to the cost of one year in a nursing home (about \$40,000).
- If you are already disabled or have a serious health problem which puts you at high risk for needing long term care. In these instances, you will probably not be able to pass the medical underwriting required by the insurance company to get the insurance coverage.
- If you have a limited ability to pay premiums. You should not deny yourself the essentials of daily living (food, shelter, utilities, medicine) to pay premiums.

Q. Why did the State of Indiana create the Indiana Long Term Care Insurance Program?

More and more of us are getting older and living longer. In fact, “by the year 2030, when the last of the baby boomers in America reaches retirement, the number of elderly individuals is estimated to double from 35 million to nearly 70 million. More than 20% of the population will be over age 65. This means that in about 30 years, the demographics of 32 states will resemble those of Florida today. Life expectancy also is projected to improve. As a result, individuals

ages 85 and older will be the fastest-growing segment of the elderly population, increasing 143% between 1990 and 2030.”^{C6} In other words, more of us will need long term care. Few people can afford to pay for long term care themselves. The State cannot afford to pay for the long term care of every Hoosier. So, the State developed the Indiana Long Term Care Insurance Program – creating high quality long term care insurance paired with a means to protect individual assets.

Q. What is the Indiana Long Term Care Insurance Program?

The Indiana Long Term Care Insurance Program is a partnership between State government and private insurance companies. Insurance companies voluntarily agree to participate in the Program by offering long term care insurance policies that meet more stringent State requirements than other policies. (Policies approved under the Program are better known as “Partnership policies.”) As of May 1993, Indiana residents, when shopping for long term care insurance, have a choice between traditional long term care policies or Indiana Partnership policies. Partnership policies protect assets through a feature which places their purchasers under different, more favorable Medicaid eligibility rules. Indiana is one of only four states (along with California, Connecticut and New York) to offer such an innovative long term care financing program. Taking and keeping control of your financial independence and emotional peace-of-mind has never been easier!

Q. How do Partnership policies change the Medicaid eligibility rules?

Partnership policies contain a special State-added feature known as “Medicaid Asset Protection.” With this feature, Partnership policies offer Indiana residents a way to provide for their long term care needs without the fear of having to spend down their life savings. These policies guarantee that the buyer will receive asset protection from Medicaid at least equal to the amount of benefits used.

Q. How does the Medicaid Asset Protection feature work?

It’s simple. For persons who initially purchase less than the State-set dollar amount* in benefits, a dollar of assets is protected for each dollar of Partnership policy benefits paid out. For individuals who initially purchase the State-set dollar amount* or more in benefits, all of their assets are protected once they use all of their Partnership policy benefits. (Only assets are protected – not income.)

*State-set dollar amount for policies issued in 2001 equals \$162,068. For policies issued in 2002, \$170,171. For policies issued in 2003, \$178,679.



*My mother always lived simply,
saving up for a rainy day.
Then, when she needed to go
into a nursing home, her nest
egg was gone in no time at all.
I don't want that to happen to me.*

Q. Can I rely on this asset protection from Medicaid to protect my assets?

In a word, YES! For example, if you bought a Partnership policy with a maximum benefit pay-out of \$100,000 (the approximate cost of 2.6 years of nursing home care – the length of the average stay), you could protect \$100,000 of your assets. If you want to protect more or less of your assets, you may select a policy with a higher or lower benefit pay-out. If you want to protect all of your assets, you would need to purchase, at a minimum, the State-set dollar amount* of Partnership policy benefits. For married couples, each spouse would need to purchase his/her own policy for the greatest overall protection.

*State-set dollar amount for policies issued in 2001 equals \$162,068. For policies issued in 2002, \$170,171. For policies issued in 2003, \$178,679.

Q. When does the asset protection actually start?

The peace-of-mind starts immediately, but the actual asset protection begins when your Partnership policy starts paying benefits. For instance, if you went into a nursing home and used up your policy benefits of \$100,000, you could apply to Indiana Medicaid to pay for your continuing nursing home care. Medicaid will disregard \$101,500 of your assets (\$100,000 of protected assets which equals the insurance benefits used plus \$1,500 which is the normal Medicaid allowance) during the eligibility process.

If you purchased the State-set dollar amount* of Partnership policy benefits, entered a nursing home, and used up all of the policy benefits, then, you could apply to Medicaid to pay for your continuing nursing home care. Medicaid will not require you to spend down any of your assets. All of your assets will be protected.

With either type of asset protection, you would never have to spend your protected assets for your long term care costs. Once on Medicaid, your income, but not your protected assets, will be used to offset the cost of care.

A traditional long term care insurance policy cannot provide these guarantees. With a traditional policy once benefits were paid out, you would still have to spend all of your assets down to \$1,500 to qualify for Medicaid assistance.

Q. What type of asset protection is right for me?

If you have moderate income to pay the premiums and are interested in protecting an amount of assets less than the State-set dollar amount, then purchasing a Partnership policy that provides dollar-for-dollar asset protection is an appropriate choice. If you are interested in protecting all of your assets and all of your income, then a good choice would be a Partnership policy with lifetime coverage. With lifetime coverage, the insurance policy will pay for however long you need

care. This minimizes your risk of ever needing help from Medicaid. In turn, your risk of having to contribute your income toward your long term care is also reduced. Policies with lifetime coverage may be expensive. If you fall somewhere in the middle – wanting to protect all of your assets yet not wanting to pay the premiums for lifetime coverage, then total asset protection is the appropriate choice. So, overall, the answer depends on your personal situation and what you want your policy to do for you.

Q. Can't a traditional long term care policy, not approved by the Program, protect my assets too?

Yes, but only while your policy is actually paying benefits. If your benefits run out and you still need care, you would have to pay for it yourself. You would have to spend down your assets to \$1,500 to qualify for Medicaid assistance.

You could purchase lifetime coverage in a traditional policy, but this can be very expensive. Only policies approved by the Indiana Long Term Care Insurance Program offer guaranteed asset protection, plus more affordable, shorter terms of coverage.

Q. What types of assets can I protect through using my Partnership policy?

All. Some assets protected with a Partnership policy include: savings, stocks, bonds, certificates of deposit, money market certificates, second homes, the cash value of life insurance, and the fair market value of your primary home (if you have no spouse). Medicaid already provides exemptions for your home, if a spouse or dependent is living there; rental property, if providing income and earning a profit; irrevocable burial trusts; personal possessions; and cash value of life insurance, if the face value is \$10,000 or less. However, the value of these exempt assets can be recovered from your estate to repay Medicaid for its costs of your care if they are not protected through purchase and use of a Partnership policy.

Q. Will all of the benefits paid from the policy count toward the asset protection?

Yes, all benefits under the policy will count toward the asset protection up to the actual cost of care. If your policy covers home and community-based services, these services must be part of a care plan developed by an approved case management agency in order to qualify for asset protection.

Q. What is case management and why is it important?

Case management agencies help you if you need long term care services. Case managers work with you to develop a care plan of services, identify the best service providers, and make sure the services are provided appropriately. Case management will help you get the most out of your insurance policy benefits.

Q. How will I know how much of my assets have been protected?

Once you are receiving benefits from your Partnership policy, you will receive quarterly reports from the insurance company that show the amount of asset protection you have earned. When your benefits run out, the company will send you a summary of total benefits received and total asset protection earned. This summary report will be needed when you apply for Medicaid.

Q. If I buy a Partnership policy, when can I give my protected assets to my family?

Assets only become protected as your insurance policy benefits are paid out. Once you have accumulated asset protection, your assets are protected and can be used in any way you choose – even as gifts to your family.

Q. Can't I get on Medicaid by having an attorney transfer or shelter my assets?

Medicaid eligibility is complex. Some attorneys and financial planners have found ways to transfer or shelter assets in order to have Medicaid pay for the long term care costs of persons who otherwise would not be eligible. However, there are problems with this approach.

First, the rapid rise in Medicaid costs assures that state and federal governments will try to close these loopholes. Second, Medicaid looks back 36 months (60 months for trusts) from the time you apply for assistance to see whether you have transferred assets for less than fair market value for purposes of qualifying for Medicaid. If so, you will be penalized a period of time in which Medicaid will not provide assistance. Third, by transferring your assets to a family member or trustee, you surrender your financial independence.



We've taken care of ourselves for 40 years. Now, we see a way to keep doing it through Indiana Partnership policies. We can stay in control of our assets, and don't have to worry about becoming a burden to anyone.

Q. Are there other advantages of Partnership policies?

Yes! All long term care insurance policies are not created equal. Indiana Partnership policies:

- provide for guaranteed asset protection for the policyholder.
- have benefits that increase 5% compounded annually to keep up with the rising cost of care.
- if covering home and community care, include: home health care, home health aide, attendant care, respite care, adult day care, and case management services.
- use the same criteria for when benefits are paid. This criteria is based on your physical inability to do activities of daily living or your having a cognitive impairment like Alzheimer's disease.
- require insurance agents to receive 15 hours of training on long term care insurance and the Indiana Long Term Care Insurance Program prior to selling.
- require an adequate minimum daily benefit.
- incorporate more consumer protection and disclosure features than other policies.

In addition to the features listed above, Indiana Partnership policies are available for shorter terms which have lower premiums. This means insurance is now more affordable for middle income persons while still guaranteeing the asset protection provided by more expensive, longer term policies.

Q. Does the Program receive from the insurance companies any portion of the premiums paid for the policies?

No, the Indiana Long Term Care Insurance Program is not in the insurance business. The Program is State-funded and receives no money from the premiums the insurance companies collect.

Q. How much does a Partnership policy cost?

That depends on your age, the amount of benefits you select, the company you choose to buy from, and a variety of different policy features you choose. Since the Medicaid Asset Protection feature is a State-added benefit, it does not affect the cost of your policy. Similar to other health and life insurance, the older you are when you buy the policy, the higher your premium will be. Your premium will, however, remain level and cannot be increased unless the insurance company raises it (after first obtaining Department of Insurance approval) for everyone with the same policy.

Q. Why not wait as long as possible before buying a Partnership policy?

If you wait to buy a policy until you are older, you will pay a higher premium. The younger you are when you purchase a policy, the more affordable the premium will be. In addition, by waiting, you run the risk of your health declining so that you may not be able to be insured at all.

Q. Are all Partnership policies the same?

They are all similar in that they meet the minimum standards of the Indiana Long Term Care Insurance Program for consumer protection, affordability, and coverage. These standards exceed those for traditional long term care policies. Some Partnership policies may exceed these minimum standards, and their premiums may vary accordingly. As with all insurance products, it pays to shop and compare.

Q. If I already have long term care insurance, can I get a Partnership policy without losing my original investment?

That will depend on whether or not your insurance company is participating in the Indiana Long Term Care Insurance Program. If so, they may offer you the opportunity to change to a Partnership policy. Call your insurance agent and ask.

Q. What happens to my Partnership policy if I move to another state?

You are entitled to your insurance benefits no matter where in the country you are living when you use them. However, Medicaid Asset Protection, offered in Indiana Partnership policies, is valid only from Indiana's Medicaid program.* This means when you have used up your policy benefits and the time comes to apply for Medicaid, you must be living in Indiana and apply to the Indiana Medicaid program in order to have your protected assets disregarded during the eligibility process.

*Unless Indiana Medicaid has entered into a reciprocal agreement with another state's Medicaid program and such state has a similar Partnership program. As of January 2001, there is a reciprocal agreement between Indiana and Connecticut Medicaid programs. Asset Protection under a reciprocal agreement will be honored only on a dollar-for-dollar basis.

Q. Who offers Partnership policies?

A number of private insurance companies offer policies that meet the Program's stringent guidelines. A complete list of these companies is available from the Senior Health Insurance Information Program (SHIIP) by calling 1-800-452-4800.

To identify a Partnership policy look for the following box on the front page of the policy, the outline of coverage, and the application:

THIS POLICY QUALIFIES UNDER THE INDIANA LONG TERM CARE INSURANCE PROGRAM FOR MEDICAID ASSET PROTECTION. THIS POLICY MAY PROVIDE BENEFITS IN EXCESS OF THE ASSET PROTECTION PROVIDED IN THE INDIANA LONG TERM CARE INSURANCE PROGRAM.

Traditional long term care insurance policies either won't have the boxed language or will have a longer box of language in which the first sentence reads "This policy does not qualify under the Indiana Long Term Care Insurance Program for Medicaid Asset Protection."

Q. Is there a tax benefit to purchasing an Indiana Partnership policy?

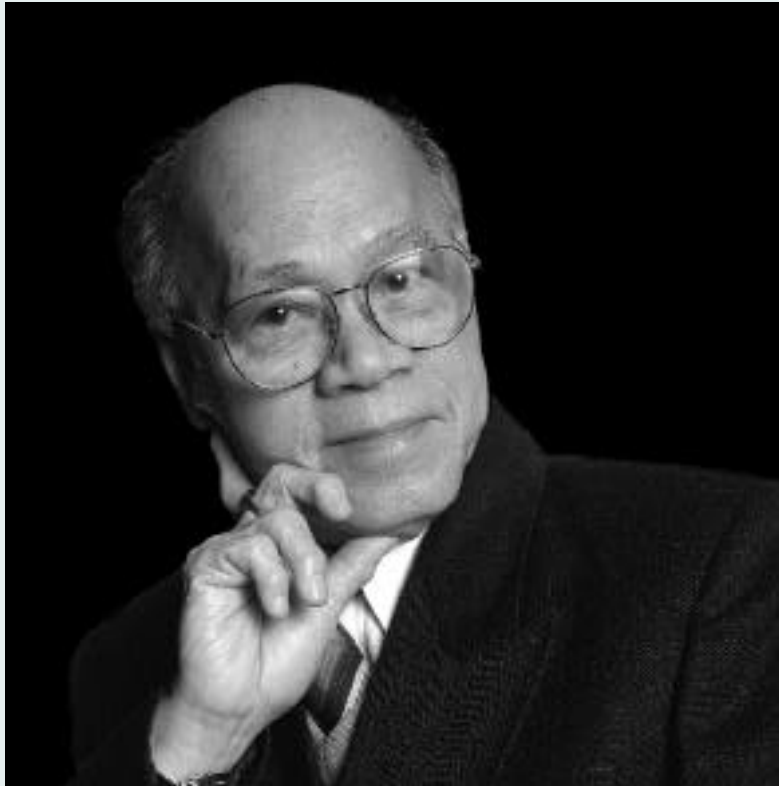
Yes. Premiums paid for Partnership policies may be taken as a deduction on your **Indiana** tax return. One hundred percent of the premium paid by a taxpayer for a Partnership policy for the taxpayer or his/her spouse may be deducted. Special rules may apply for those who are self-employed. Refer to an Indiana State Tax Return Instruction Booklet for details.

Premiums paid for policies that meet certain federal standards may be deducted, up to a limit, as a medical expense on your **federal** tax return. These types of policies are better known as "tax-qualified" or "TQ" policies. Both TQ and non-TQ Partnership policies are available. For details about the federal tax deduction, consult a tax advisor.

In other words, ALL Partnership policies qualify for the state tax deduction. But, only TQ Partnership policies qualify for the federal deduction.

Q. What happens to my policy and protected assets if Indiana eliminates the Program?

The Program has strong bipartisan support and could only be eliminated through legislative action. If it were eliminated, however, Indiana's Medicaid program would honor the asset protection in Partnership policies already purchased, no matter when in the future the policyholders used their policy benefits.



Ever since my own dad ended up in a nursing home, I've thought about getting long term care insurance. I've always wanted it, but just couldn't afford it...until now.

Q. Once I use all of the benefits in my Partnership policy and am eligible for Medicaid, will Medicaid provide me with the same benefits that I had under my policy?

Once you are eligible for Medicaid assistance, you will receive services covered under the Medicaid program at that time. These services could be less than or more than those services provided to you under your Partnership insurance policy. (For instance, Medicaid covers prescription drugs while most long term care policies do not. Yet many Partnership policies cover assisted living facility care, which is a benefit Indiana Medicaid does not currently provide.)

Q. How can I get more information about the Indiana Long Term Care Insurance Program?

Call the Senior Health Insurance Information Program (SHIIP) at 1-800-452-4800. This is a free counseling service operated by the Indiana Department of Insurance. Trained volunteers are available to provide information to seniors on health insurance-related matters (Medicare, Medicare Supplements, Long Term Care insurance). They also offer a free Self-Assessment Guide for Long Term Care Insurance developed to help people evaluate their long term care insurance decision.

To learn about company-specific Partnership policy features or policy costs, your best resource will be a local insurance agent who is “certified” to sell Indiana Partnership policies. To receive a free copy of the Indiana Partnership Select Agent Directory, call the Indiana Long Term Care Insurance Program office at 317-233-1470 or visit our Web site at www.IN.gov/fssa/iltcp.



*When we think of the future,
we think of our children and
grandchildren. We'd like to
leave them something once
we've lived out our lives in
comfort. Isn't that what
everyone wants?*

Citations

Page 5 & 6:

- ^{c1} “The Risk of Nursing Home Use in Later Life,” Medical Care, Murtaugh, Kemper and Spillman, October 1990.
- ^{c2} “Long Term Care Insurance - Baby Boom or Bust?,” Conning & Company, 1999.
- ^{c3} “Long Term Care Current Issues and Future Directions,” General Accounting Office, April 1995.
- ^{c4} Office of Medicaid Policy and Planning, Family and Social Services Administration, State of Indiana, November 2000.
- ^{c5} Consumer Price Index, US Bureau of Labor Statistics, 1997 - 2000.
- ^{c6} “Who will pay for the baby boomers’ long-term care needs?” American Council of Life Insurance (1998).

www.IN.gov/fssa/iltcp

What you’ll find on our Web site:

- Indiana Partnership Select Agent Directory
- Spousal Impoverishment Protection Law
- Medicaid’s Perspective of Assets and Income
- Participating Insurance Companies List
- When is the Best Time to Buy
- Federal and State Tax Deduction Information



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